



**North Carolina Department of Health and Human Services  
Division of Mental Health, Developmental Disabilities and Substance Abuse Services**

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Michael F. Easley, Governor  
Carmen Hooker Odom, Secretary

Michael Moseley, Director

November 18, 2004

**MEMORANDUM**

**TO:** Area/County Directors  
Area/County Finance Officers

**FROM:** Wanda Mitchell  
Budget and Finance Team

Bob Duke  
Controller's Office

**RE:** SFY 04 Year-End Non-UCR Settlement Process

The purpose of this memo is to address the process for settling Non-UCR State appropriation paid at year end for the month of June 2004. Area/county programs submitted an estimated expenditure amount, as instructed in the June 4, 2004 memo from Laketha M. Miller, DHHS Controller's Office, in order to receive a full month's payment of State Division funds only for the month of June. Once actual expenditures had been identified, area/county programs were to submit a certified June FSR to their Regional Accountant, accompanied by a refund check for over payment, if applicable.

In order to settle the SFY 04 year end payment, non-UCR settlement will occur at three levels:

1. The first level will be settlement of all non-UCR **State** funds (excluding Mental Health Trust Funds [MHTF] which is a separate settlement level). In general, plus and minus settlements will be netted at the area program level, at the fund/account level, with only the net difference being considered for settlement. Refer to the example below. Area programs will be required to refund any net settlement amount owed to the Division. In cases where the Division owes area programs a net settlement amount, the Division will have to identify the resources to make such a payment and secure budget revision approval through DHHS and the Office of State Budget and Management to budget resources for such a prior year payment. It is the Division's intent to fully settlement any funds we owe area programs, however, final approval to do so is subject to budget revision approval as noted.

The second level will be settlement of non-UCR funds allocated from the MHTF. The MHTF allocations will be settled in the same manner as outlined below in the example but we will NOT be mixing settlement of regular State funds with MHTF dollars. The unique aspect of MHTF settlement will be taking into account the preliminary settlement activities which have already taken place with MHTF dollars. For instance, earlier this year we contacted each area program regarding the MHTF dollars which they were allocated in SFY 04 but were not paid. The majority of these funds were



reallocated to area programs in SFY 05 to cover anticipated expenditures in SFY 05. There was, however, a small amount which area programs indicated they had spent last year but had not requested for payment. These amounts have already been reallocated to area programs in SFY 05 as a prior year payment. The SFY 04 MHTF settlement process will take into account these actions in order to avoid duplicate settlement payments. Area programs will be required to refund any net settlement amount owed to the Division. In cases where the Division owes area programs a net settlement amount, the Division will have to identify the resources to make such a payment and secure budget revision approval through DHHS and the Office of State Budget and Management to budget resources for such a prior year payment. It is the Division's intent to fully settle any funds we owe area programs, however, final approval to do so is subject to budget revision approval as noted. Since we have already budgeted some funds for MHTF prior year payments, there should be little, if any, MHTF dollars which the Division might owe area programs in the SFY 04 settlement process.

2. The third level of settlement will be non-UCR Federal funds. Non-UCR Federal funds will be settled in a manner similar to that reflected in the example below, however, there will be **no** netting of settlement of Federal funds. In the case of Federal funds, area programs will refund any settlement payment due to the Division and, in cases where the Division owes Federal funds, we will rebudget Federal funds, generally MHBG and SAPTBG, in the current year for payment to area programs as a prior year payment. Budgeting of additional Federal funds to settle payments the Division owes to area programs is subject to approval by DHHS and the Office of State Budget and Management. It is the Division's intent to fully settle any funds we owe area programs, however, final approval to do so is subject to budget revision approval as noted. A complicating factor in the settlement of Federal funds will be any funds the Division may owe from Federal Family Preservation, TANF and EHA funds. Since federal Family Preservation, TANF and EHA funds are no longer allocated to the Division in SFY 05, the Division will have to request a special one-time allocation of such funds from the granting agency if the Division owes funds to area/county programs from any of these three sources. If the Division owes area programs funds from any of these three sources, we will pursue such an allocation, however, we cannot promise that such funding will be forthcoming.

#### EXAMPLE

Funding Category	Total Allocation	Amount Paid to AP	Actual Expenditures	Net Settlement	Who Owes
Non-UCR Other-DD	\$500,000	\$500,000	\$350,000	\$150,000	AP Owes
Non-UCR Child-MH	\$300,000	\$200,000	\$350,000	(\$100,000)	Division Owes
Non-UCR Adult SA	\$400,000	\$400,000	\$375,000	\$25,000	AP Owes
Non-UCR Other	\$200,000	\$200,000	\$190,000	\$10,000	AP Owes
Totals	\$1,400,000	\$1,300,000	\$1,265,000	\$85,000	AP Owes

In the above example, Net Settlement represents the difference between the Amount Paid to AP and the Actual AP Expenditures, up to the amount of the Total Allocation. The total amount due to the area program for each fund/account combination cannot exceed the amount of the Division allocation, however, the fund/account combination Net Settlement amounts will be off-set against each other to arrive at the Total Net Settlement amount.

The timeframe for completion of SFY04 settlement is Monday, December 13, 2004. Area programs should submit a separate FSR for settling State funds, federal funds, and MHTF funds to their Regional Accountant by this date. If an area program is due funds from the Division, the Division will make all efforts to issue payment to the area/county program as quickly as possible. As indicated in items 1 through 3 above, settlement payments made by the Division must be approved by budget revisions through DHHS and the Office of State Budget and Management. Notification of settlement payments which the Division makes will be via allocation letters labeled



as a Prior Year Payment referencing SFY04 settlement. If an area program owes funds to the Division, a check should be submitted along with the FSR to your Regional Accountant who will then forward to the Controller's Office for processing.

If you have any questions, please contact Wanda Mitchell with DMHDDSAS at 919-733-7013 or Bob Duke with the DHHS Controller's Office at 919-855-3735.

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